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INTRA-AFRICAN TRADE: SITUATION, PROBLEMS AND PROSPECTS

A GLOBAL ANALYSIS

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I. INTRODUCTION

1. During the 1980's, African governments have become increasingly aware that urgent action was needed to solve the serious economic crisis facing the continent and that the responsibility was entirely their own. It was also generally agreed that the crisis could only be solved by sustained, self-reliant action by the African countries themselves, although support from the international community at large was essential if they were to succeed in their efforts. A self reliant policy for African development was thus essentially predicated on economic cooperation within the continent, with the main focus on the development and expansion of trade among the African countries.

2. In the process of setting up economic cooperation structures in Africa such as the Economic Community of West African States (ECOWAS), the Communaute economique de l'Afrique de l'ouest (CEAO), the Mano River Union (MRU), the Preferential Trade Area for Eastern and Southern African States (PTA), the Union douaniere des etats de l'Afrique centrale (UDEAC), the Communaute economique des pays des grands lacs (CEPGL) and the Economic Community of Central African States (ECCAS), intra-African trade was made the catalyst and principal engine for growth and development. However, for reasons which we shall examine later, measures taken by these groupings have not led to any significant increase in the volume of intra-African trade. Consequently the impact on African development has been very limited.

3. The economic salvation of the continent, as seen in the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) recently endorsed by the Economic Summit of the Heads of State and Government of the Organization of African Unity, lies in the realignment of consumption patterns with production patterns in Africa, hence the need to promote intra-African trade in order to ensure the economic viability of production units through the expansion of viable markets. The stress, in the above major policy document, is again laid on a series of measures converging on trade expansion among African countries which would eventually lead to the establishment of an African Common Market and an African Economic Community.

4. This study highlights main the features of intra-African trade with a view to identifying the major reasons why it has so far failed to respond to the measures already adapted by African countries to promote its expansion. It also examines the prevailing situation of Africa's trade in the world setting followed by a review of the current situation of intra-African trade. The analysis will highlight the commodity structure of the trade, the current flow of goods, the various obstacles to trade including tariff and non-tariff barriers, trade infrastructure and finance.

II. AFRICA'S TRADE SITUATION

(i) Africa's trade pattern

5. Africa continues to be basically an exporter of primary commodities to, and an importer of manufactured and capital goods from the industrialized world as shown in Table I. In 1980, Africa's imports of food, beverages and tobacco (SITC 0+1), chemicals (SITC 5) machinery and transport equipment (SITC 7) and other manufactured goods (SITC 6+8) from the developed market economies represented 70.5% of her total imports while in 1987, the figure was 64.78%. In contrast, Africa's exports of food, beverages and tobacco (SITC 0+1), crude materials (SITC 2+4) and mineral fuels and related materials (SITC 3) to the developed market economies represented 72.45% of her total exports while the corresponding figure for 1987 was 62.01%. The overall result showed a fall in both imports from and exports to the industrialized world of respectively 5.78% and 10.3%. Africa's exports of manufactured goods however rose from 4.25% to 9.85% between 1980 and 1987.

6. The picture for overall trade with the world shows a similar pattern, with primary commodities accounting for 85.5 per cent of total exports while manufactured goods represented some 13.0 per cent in 1989. It is also significant to note that African imports a relatively important proportion of her food requirements. In 1987 imports of food, beverages and tobacco (SITC 0+1) from world sources was 14.6% of total imports of which 10.28% was from the developed market economy countries.

7. Within the context of World trade, Africa's trade has not made any significant progress either. While in 1988, world trade rose by 9.5% in the wake of the economic recovery of the industrial countries following the world recession of the early eighties, Africa's external trade still shows a drop from 94.9 billion US dollars in 1980 to 51.8 billion in 1987. The trade balance of the region which showed a positive figure of 10.5 billion US dollars in 1980 resulted in a deficit of 12.05 billion dollars in 1987 1/. This poor performance was almost certainly due to a fall in the export earnings from oil which accounted for over 51 per cent of Africa's exports in 1987.

8. With a continuing deficit in Africa's trade balance since 1980, the trade index fell from 100 in 1980 to 57 in 1986, 64 in 1987 and was estimated at 55 in 1988 2/. The deterioration in the terms of trade of African exports in both due to a rise in the price of manufactured imports as well as a fall in the price of African commodity exports, although some metals exported by the region registered some price increases. However, these were overshadowed by the large fall in agricultural commodity prices.

1/ Figures computed from Special Table X, UN Monthly Bulletin of Statistics, May 1989.

2/ UNCTAD - Handbook of International Trade and Development Statistics, 1988.

TABLE I

AFRICA'S TRADE WITH THE DEVELOPED MARKET ECONOMIES

(in million US dollars)

Commodities	SITC CODE	IMPORT					EXPORT				
		1980	1984	1985	1986	1987	1980	1984	1985	1986	1987
Food, Beverages and Tobacco	(0+1)	90.6 (10.68)	7873 (12.02)	7534 (11.84)	6695 (11.08)	6569 (10.28)	7047 (7.42)	5676 (8.99)	5450 (9.19)	7012 (14.6)	6636 (12.8)
Crude mafs. (exd.fuels. oils,fats)	2+4	2475	2252	2261	1777	2061	5540 (5.83)	4139 (6.55)	3447 (5.31)	3292 (6.85)	3315 (6.39)
Animal and veg.oils and fats.	4	913	870	869	530	528	319	312	169	129	157
Mineral fuels and related materials	3	2646	1511	1404	1211	1312	61911 (65.2	38027 (60.25)	35369 (59.67)	22504 (46.88)	25302 (48.82)
Chemicals	5	5913 (7.0)	4373 (6.68)	4711 (7.4)	4818 (7.98)	5439 (8.37)	327	475	444	499	650
Machinery and transport equipment	7	27864 (33.03)	20383 (31.14)	19580 (29.2)	18453 (30.57)	18495 (28.95)	231	179	139	267	317
Other manufactured goods	6+8	16748 (19.85)	11140 (17.1)	10619 (15.69)	10496 (17.39)	10973 (17.13)	4067 (4.28)	2841 (4.5)	2661 (4.43)	3570 (7.43)	5109 (9.35)
Total to/from world		84358	65445	62610	60370	63876	94942	63112	59274	47997	51821

Note: Figures in brackets represent percentages of total imports/exports

Source: UN Monthly Bulletin of Statistics Vol. XLIII No.5 May 1989.

9. While Africa's trade structure shows a dominant relationship with the developed market economies, as earlier indicated, trade with other economic groupings remain relatively small, in particular with other developing countries. In recent years, there has been a significant increase in imports from South East Asian countries especially from the Newly Industrializing countries like Hong Kong, Korea, Taiwan and Singapore which supply an increasing amount of manufactured goods.

(ii) Intra-African Trade

10. In spite of serious attempts within the African subregional economic groupings to promote trade among the African countries, the level of trade has remained pitifully low in the eighties and has even declined when compared with the level in the sixties and early seventies when it averaged around 6 per cent of Africa's total trade.

TABLE II

INTRA-AFRICAN TRADE (SITC 0-9)
(in million US Dollars)

	Intra-African Trade	Trade with World	Intra-African Trade Share in Percentage
1960	350	5310	6.59
1963	380	6190	6.13
1966	550	8220	6.69
1969	560	10980	5.10
1970	650	12313	5.28
1975	1650	30340	5.45
1977	2190	45870	4.77

Note: Calculations are based on export figures only.

Source: UNCTAD, Handbook of International Trade and Development Statistics, 1976 and 1979.

11. In the 1980s however, intra-African trade has recorded a very low percentage averaging around 4.86% of total exports between 1980 and 1987 as shown in Table III. There is however a slight trend towards an increase. From 4.8% in 1985, intra trade rose to 6.05% in 1986 although it dropped back to 5.58% in 1987. It must also be noted here that the figures are based solely on recorded trade. There is, however, a considerable amount of trade taking place in border areas of African countries which is not officially recorded due to the illegal nature of the trade. It is difficult to give an estimate of the volume and value of this trade.

TABLE III

INTRA-AFRICAN TRADE (SITC 0-9)
(in million US dollars)

	Intra-African trade	Trade with World	Intra African trade Share in Percentage
1980	2973	94942	3.12
1984	2796	63112	4.43
1985	2892	59274	4.87
1986	2905	47997	6.05
1987	3035	51421	5.85
Average			4.86

Source: UN, Monthly Bulletin of Statistics, May 1989.

12. In terms of the structure of intra-African trade, three major commodity groups account for the bulk of the trade. These are food, beverages and tobacco (SITC 0+1), mineral fuels and related materials (SITC 3) and manufactured goods (SITC 6+8), with mineral fuels and related materials accounting for the largest share of the trade. From Table IV, it will be seen that in 1980, it represented 41 per cent of total intra-trade, while between 1984 and 1987, it registered an annual average of 32 per cent. Trade in food, beverages and tobacco has maintained a steady level of around 25 per cent while manufactured goods have been annually around 18 per cent. This overall trend has characterized intra-African trade for several decades which is highly revealing of Africa's production structure. Africa remains predominantly a producer of primary products although in the last decade some raw materials

are exported in a semi-processed form. However, in the last few years, there has been a slight increase in the export of manufactured goods both within and outside the region which indicates some changes in the production base, hence prospects for industrial development in Africa with the adoption of an appropriate mix of production and trade policies by African countries.

13. Intra-African trade disaggregated at subregional level shows that there is a tendency for concentration of trade between the countries of the subregion. This is not altogether surprising given the existence of subregional economic groupings and the relative trade facilitation measures in terms of distance and transport infrastructure. It is obviously easier to trade goods within a particular subregion than between one subregion and another. This is shown in Table V. In absolute terms, the value of trade between the countries of the Central African subregion ranged between 100 million US dollars in 1982 and 113 million US dollars in 1987 compared with much lower figures for its trade with the other subregions. The trade within the Eastern and Southern African subregion ranged from 481 million US dollars in 1980 to 392 million US dollars in 1987, again showing a much higher level of trade within the subregion compared with its trade with the other subregions in spite of a fall in recent years. North Africa and West Africa also exhibit the same trend.

14. Intra-African trade as a percentage of each subregion's total trade is shown in Table VI. In comparative terms, the Eastern and Southern African subregion accounts for a higher percentage of intra-African trade than the other subregions with North Africa contributing the smallest share. The percentage of intra African trade for the Central African subregion appears to be around the average for the African region as a whole while that of the West African subregion is slightly below the average.

15. In terms of commodity composition of intra-trade within each subregions, it was not possible to obtain disaggregated data. However, there is no reason to believe that it would be significantly different from the composition for the whole region shown in Table IV given the structure of the overall pattern of production and trade of the African region.

III. PROBLEMS OF AFRICAN TRADE

(i) Dynamics of world trade

16. A review of world trade situation shows a slow but inexorable trend towards the formation of trading blocs in particular, among the industrialized nations. The recent trade liberalization agreement between the USA and

TABLE IV

INTRA-AFRICAN TRADE STRUCTURE
(values in millions of US dollars)

	1983		1984		1985		1986		1987	
	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent	Value	Per cent
Food, beverages and tobacco (SITC sections 0 and 1)	727	24.5	683	24.4	744	25.9	747	25.7	779	25.6
Crude materials, excluding fuels (SITC sections 2 and 4)	270	9.1	284	10.2	288	10.0	324	11.2	324	10.6
Mineral fuels and related materials (SITC section 3)	1219	41.0	1003	35.9	996	34.6	815	28.1	889	29.2
Chemicals (SITC section 5)	131	4.4	163	5.8	197	6.8	256	8.8	239	7.8
Machinery and transport equipment (SITC section 7)	87	2.9	140	5.0	157	5.5	205	7.1	190	6.2
Other manufactured goods (SITC sections 6,8)	536	18.1	523	18.7	495	17.2	555	19.1	573	18.8

Source: UN, Monthly Bulletin of Statistics, May 1988 and May 1989.
Trade and Development Finance Division calculations.

TABLE V

INTRA-AFRICAN TRADE BY SUB-REGION
(million US dollars)

	1980	1981	1982	1983	1984	1985	1986	1987
Imports to				CENTRAL AFRICA				
North Africa	7	14	22	37	28	68	65	[illegible]
West Africa	24	38	49	34	52	84	78	[illegible]
Central Africa	130	152	113	140	92	64	114	111
Eastern & Southern Africa	12	15	16	[illegible]	[illegible]	22	14	[illegible]
Developing Africa TOTAL	156	230	212	209	204	323	346	1[illegible]
Exports to				EASTERN AND SOUTHERN AFRICA				
North Africa	146	157	135	158	116	69	72	96
West Africa	29	23	17	15	5	6	3	2
Central Africa	126	157	122	117	107	66	99	75
Eastern & Southern Africa	481	541	553	447	421	361	432	399
Developing Africa TOTAL	869	927	829	779	719	500	606	572
Imports to				NORTH AFRICA				
North Africa	152	390	242	201	429	454	438	456
West Africa	173	176	245	126	53	60	50	1[illegible]
Central Africa	16	17	27	10	19	35	36	31
Eastern & Southern Africa	24	49	124	111	61	20	10	1[illegible]
Developing Africa TOTAL	368	553	639	456	562	569	537	5[illegible]9

TABLE V (cont'd)

	1990	1991	1992	1993	1994	1995	1996	1997
Exports to				EAST AFRICA				
North Africa	166	146	79	40	37	60	[illegible]	.
West Africa	1280	1174	971	800	1034	1067	955	..
Central Africa	76	64	49	100	210	97	112	...
Eastern and Southern Africa	.	2	1	48	1	9	7	.
Developing Africa, TOTAL	1530	1386	1108	1088	1315	1241	1154	...

Source ECA Statistical Database, 23 September 1998.

Symbols used ... = data not available
. = nil or negligible

TABLE VI

INTRA-AFRICAN EXPORTS

(Values in million of US dollars)

	1984			1985			1986			1987		
	Intra-African Trade	Total Trade	%Intra-African	Intra-African Trade	Total Trade	%Intra-African	Intra-African Trade	Total Trade	%Intra-African	Intra-African Trade	Total Trade	%Intra-African
North Africa	370.2	45771.7	0.8	321.0	31975.6	1.0	935.1	22565.4	2.3	729.5	25190.1	2.8
West Africa	1456.2	34348.4	4.2	955.3	20732.5	4.1	730.5	15580.2	4.9	1101.9	16250.1	6.7
Central Africa 1/	359.0	4237.1	8.5	328.1	4993.6	6.4	370.6	5331.2	4.7	292.6	6179.3	4.7
Eastern & Southern Africa 2/	617.7	10732.3	5.8	550.1	9124.6	6.1	568.5	7748.3	8.6	730.6	7731.6	9.5

Sources (i) I.M.F. Direction of Trade Statistics Yearbook, 1986.
(ii) I.M.F. Direction of Trade Statistics Yearbook, 1988.

1/ Excluding Sao Tome and Principe

2/ Excluding Botswana, Lesotho and Swaziland

Canada must be seen as a measure towards the strengthening of economic relations within the North American continent in the face of Europe's move towards an integrated economic entity. The Latin American countries pursue their own reinforcing of economic ties within the Latin American Integration Association (LAIA) and the Organization of American States (OAS) which binds the two halves of the American continent. In Asia, the Association of South East Asian Nations (ASEAN) is the institution which has set the pace for trade and economic cooperation among the countries of that region. Japan, the economic giant of the region, is seen as the catalyst for trade and economic development of that region which seems to be emerging as yet a third major economic bloc of the world given the highly populous nations of the region. In this framework, Africa remains a fragmented continent except for its subregional entities

17. The emergence of these tripolar trading blocs within the world, namely North America, Europe and the Far East does not presently seem to constitute a serious threat to the international trading system 3/. However, given the preponderance of its trade with Europe, the potential impact could be disastrous for African economies. The free flow of goods which will be subject to zero tariff within the European Community under the single European Act could make African manufactured products, in particular textiles, less competitive while there would be greater scope for the use of synthetics as substitutes to primary products from Africa. Similarly EC legislations regarding agricultural products could virtually close the door to African agricultural products.

18. A further development in international trade, which has discriminated strongly against developing countries, relates to the safeguard actions taken by the industrialized countries 4/. Although tariff concessions have been made by these countries under the Generalized System of Preferences and the Lome Convention, they have imposed a number of non tariff barriers such as voluntary restraint agreements, bilateral agreements for textiles, lower quotas on agricultural products, etc. which have greatly affected African exports in particular.

19. Such discriminatory practices which are contrary to the GAAT principles are currently subject to discussions under the Uruguay Round of Trade Negotiations. However, although the outcome is likely to be positive, overall prospects for Africa's exports remain bleak given the nature of its commodity composition and the international trade environment. While the volume of world trade expanded by 9 per cent in 1988, Africa's own exports rose by only 2.6 per cent compared to 1987. This was due essentially to the fall in the price of oil and Africa's export commodities whose prices either rose little or actually declined. In spite of these difficulties, there is no doubt that Africa must continue to pursue its efforts to increase its share in world trade.

3/ See UNCTAD Trade and Development Report, 1989

4/ See World Bank World Development Report 1989

However, the alternative to the continued dependency on the export of primary commodities subject to the vagaries of the international market must be the rapid development of intra-regional trade based on a restructuring of Africa's production pattern.

(ii) Obstacles to intra-African trade

20. It has been noted that officially recorded trade among the African countries has been stagnating over certain periods but generally declining over the years. The composition of the trade has also remained basically unchanged. There are several reasons for this situation. It is useful first to make a brief review of the economic background of the African region in order to situate the problems more precisely and examine appropriate solutions.

21. As it has been clearly articulated in the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP) 5/ the fundamental causes of Africa's under development and retrogression have their roots in the structure of the African economy, that is its pattern of production, consumption and exchange, the characteristics of which are:

(i) the predominance of subsistence and commercial activities;

(ii) the narrow production base;

(iii) the neglected informal sector;

(iv) the degraded environment;

(v) the urban bias of public policies;

(vi) the openness and excessive dependence of the economies on external factors and

(vii) weak institutional capabilities.

22. The low level of intra-African trade is a direct consequence of the above structure and unless African countries are prepared to bring about dynamic changes in their economic structure the removal of the immediate obstacles to intra-African trade, which will be analysed below, will not make any substantial impact on that trade and, by extensions, African development. It will be recalled that in the Lagos Plan of Action, African heads of state and government have stressed that internal self-reliance and regional cooperation through intra-African trade constitutes the core issue of African development. This is also emphasized in the African Alternative Framework to Structural Adjustment Programme for Socio-Economic Recovery and Transformation (AAF-SAP) 6/

5/ UNECA, African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation (AAF-SAP), Document E/ECA/CM.15/6/Rev.3, 6 July 1989.

6/ Ibid., page 10.

23. One of the major obstacles to intra-African trade is rooted in the African production structure. There is a clear divergence between supply and demand patterns. Most African countries are primary producers whereas their most pressing needs are manufactured and capital goods for which the industrial countries have at present a clear advantage. This divergence in supply and demand is also reflected with respect to raw materials for which the demand in African countries is very limited with the result that production is mostly for exports to the industrialized countries. The low demand for raw materials itself is related to the limited production base for manufactured goods in Africa.

24. Still on the subject of manufactured goods production and trade in Africa, intra-African trade suffers because many African countries are producing similar goods arising from the low technological threshold in the region. The result is that the difference in quality of the goods produced is not an incentive for trade exchanges particularly because of high transport cost and other trade-related constraints such as lack of credit facilities etc. On the other hand, the quality of goods produced in Africa suffers from a definite disadvantage in competition with similar goods imported from the industrial countries which are often not only of better quality but also relatively cheaper in spite of the transport costs. The quality control and technical standards in Africa are also a serious constraint to intra-African trade. To this must be added the psychological factor that imported goods are generally regarded as better than locally produced goods even if that is not necessarily the case. [2]

25. The expansion of intra-African trade must rely on the regularity of supply within the African continent at reasonable prices and quality. Until now, this situation has not prevailed in trade within the region due to the insufficient exploitation of African indigenous raw materials. Because of this, some African products have a large component of imported inputs which disqualifies them for trade with partner countries, especially within the subregional economic groupings, in particular since they do not satisfy the rules of origin applicable within the subregions. The lack of consistency of supply therefore drives importers to seek supplies from the industralized countries which not only guarantee supply but invariably provide credit as well.

26. Another important category of obstacles to intra-African trade relates to institutional problems. The paucity of trade information and marketing institutions have hindered trade within the region to a considerable degree; in particular with regard to food products. In some cases especially in cereals and food crops, supplies have remained limited to local demand or demand at the country level when other parts of Africa were suffering from shortages. This was evident during the last food crisis in Africa. Poor marketing channels and lack of information within the continent remove any incentive which African businessmen might have to promote intra-African trade. Lack of marketing skill, the complicated export and import procedures and documentation as well as lack of export incentives and appropriate government support to businessmen to do business within Africa have been serious obstacles to intra-African trade.

27. Exchange rate policies in African countries as well as the persistent use of convertible currencies for trade transactions in Africa constitute yet another impediment to trade. This is in spite of the establishment of payments and clearing systems established in the three subregions of Eastern and Southern, West and Central Africa for the settlement of trade balances as opposed to individual trade transactions. Some countries have maintained exchange rates which are considered unrealistic. Their currencies have been overvalued making their exports highly uncompetitive.

28. Physical problems relating to transport and communications have beset trade transactions in Africa for a very long time. Transport costs continue to remain high whether by road, rail or air due to the high cost of putting up the infrastructure, maintaining them, keeping rolling stock in running order, etc. Similarly, in spite of development in communications in Africa, it is easier to communicate with the industrialized world than within the region. African countries still suffer from a shortage of road transport vehicles as well as storage facilities especially for perishable goods. Such goods are more easily exported to the developed countries with regular air connections between Africa and their countries. Similarly, it is easier to transport goods from the developed countries to Africa than between African countries especially from one side of the continent to the other.

29. It has been variously argued that tariff barriers have been a serious drawback to intra-African trade7/.All the subregional groupings established for cooperation among African countries make provision for their reduction or removal. However, they have not found it easy to implement this because tariff constitute a major source of government revenue for many African countries. It is obvious that their removal would improve the competitive edge of African products in terms of price vis-a-vis similar products from the industrialized countries. Since all products generally face the same tariff level irrespective of their origin, the limited advantage gained from Most Favoured Nation treatment within subregional economic groupings have to face all the other non-tariff barriers discussed above and very often these outweigh the gain from tariff removal. However, this could help to increase competition within Africa although it would have the opposite effect with regard to the industrialized countries. Some African countries are also reluctant to remove tariff barriers altogether in order to protect their own industries.

30. Lastly, there is a set of factors related to the rural sector of African economies which represent a major obstacle to Intra-African trade. It is a well-known fact that in most African countries, some 75 per cent of the population live and work in the rural areas. Because of low rural incomes in Africa, their participation in the monetary economy is very limited with the result that they deprive Africa of a potentially wide market which could make industries economically viable through the exploitation of economies of scale. The other

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7/ See studies by the ECA Secretariat:

Documents E/ECA/CM.11/64/REV.1, 14 August 1985.
E/ECA/TRADE/24/REV.1, August 1985.
E/ECA/TRADE/85, August 1987.

related factor is lack of domestic trade structures which both limit rural production and restrict the size of markets. This untapped trade potential arises from a lack of appropriate rural development and incomes policy. Such policies that exist have been exploitative of the rural sector, leaving farmers, in particular women underpaid in order to ensure cheap food supplies to the urban population. If intra African trade is to serve as the true engine of growth in Africa, major policy changes will have to be brought about by African governments to harness the economic force of rural populations by bringing them into the mainstream of African economies.

IV. PROSPECTS FOR INTRA-AFRICAN TRADE

31. An analysis of the prospects for trade expansion among African countries cannot be divorced from the realities of the trends in the world economic environment. The current African economic crisis is generally attributed to the collapse of the international commodity market in the 1980s. It is also agreed that even the revival of that market is unlikely to bring substantial changes in the earning power of African countries from commodities. The prospects for their exports to the industrialized countries are extremely poor given the continued search for substitutes to the raw materials exported by Africa. This serious problem is compounded by the establishment of powerful economic blocs and their likely impact on African exports in spite of the Lome Agreement and other possible concessions arising from the Uruguay Round of Negotiations. From that point of view therefore, the prospects for intra-African trade expansion are good because Africa has no alternative but to implement its declared policy of self-reliance and regional economic cooperation which should culminate in the establishment of an African Economic Community.

32. In order to analyse the prospects for intra African trade development, it is sufficient to examine the structure of Africa's imports and exports to realize the vast potential that exists for trade in manufactured goods and in food commodities which Africa is currently importing from outside the region. As shown in Table I, the present structure of African production leaves considerable scope for expanding intra-African trade in raw materials which should serve as the backbone for African development

33. Earlier studies 8/ by the ECA Secretariat have shown that considerable potential exist for trade in the category of food, beverages and tobacco (SITC 0+1). Africa is a major producer of meat which is exported in the form of live animals while in the form of processed food, Africa is a net importer of meat and products. The problem is obviously the lack of plants and skills for processing the raw materials within the continent. Very few countries which are meat producers have meat processing plants. Similarly, potential

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8/ Ibid, page 14

exist for trade in cereals and fresh fruits and vegetables. Africa is a net exporter in the latter category of products whilst for cereals, trade is constrained by limited production due to lack of information on market potential and trade infrastructure. The scope for trade in manufactured goods is unlimited, as earlier indicated in our analysis, with the raw materials readily available within the continent.

34. The potential for intra-African trade is more evident in the absolute trade figures of the African region. Translated from Table 1, Africa's trade balance with all its trading partners is negative in all SITC Sections with a total deficit of 31.09 billion US dollars for the period 1984 to 1987 representing an annual average of some 8 billion US dollars although the bulk of the deficit falls during the last two years 1986 and 1987. The table clearly shows that the commodity groups which cause the largest share of the deficit are Food, Beverages and Tobacco (SITC 0+1), Chemicals (SITC 5), Machinery and Transport Equipment (SITC 7) and other manufactured goods (SITC 6+8). A restructuring of African production should considerably increase intra-African trade in these major categories and reduce substantially Africa's trade deficit.

35. Intra-African trade expansion, as earlier indicated, must be predicated on a complete overhaul of African production structures. However, the shortage of capital, the low level of scientific and technological application, the shortages of trained personnel, weak infrastructure, institutional rigidities, scarcity of entrepreneurial capabilities and the limited size of the private sector are all constraining factors to the restructuring of production in Africa. Because of such factors, joint production ventures as well as multilateral cooperation in banking, trade promotion, information, transport and communication are of prime importance. The framework for such cooperation has already been laid down in the establishment of subregional economic groupings such as ECOWAS, ECCAS, PTA, CEPGL, CEAO, UMU, etc. The recent creation of the Maghreb Arab Union covering Algeria, Morocco, Tunisia, Libya and Mauritania will provide the framework for the necessary cooperation in North Africa although Egypt and Sudan remain outside the framework. However, measures are under way for the establishment of a Preferential Trade Area for North Africa which would include these two countries.

V. INTRA-AFRICAN TRADE AND STRUCTURAL TRANSFORMATION

(i) Policy recommendations for intra-African trade expansion

36. The lop-sided structure of the African economy reflects the structure of its trade and it is therefore logical to argue that to promote intra-African trade requires alteration of the basic structure of the African economy. To achieve this, the African Alternative Framework to Structural Adjustment Programmes for Socio-Economic Recovery and Transformation(AAF-SAP) has called for a set of major policy decisions to be adopted by member countries. For trade expansion, vertical and horizontal diversification for the production of essential goods and services to meet the needs of the majority of the population in all sectors of the economy. The second aspect of this policy is to reduce dependence on mono-cultural and single commodity exports and its associated instability in terms of earnings.

37. The above major policy direction should be accompanied by directives including enhanced production and efficient resource use, greater and more efficient domestic resource mobilisation, improving human resources and building technological capacity and capabilities.

38. Improvement in the pattern of income distribution among different socio-economic categories of households is another important policy direction emphasized in the AAF-SAP. It has a direct impact on the size of domestic markets for domestic products and the alleviation of mass poverty. Allied to this is the need to pursue a policy of food self sufficiency in order to achieve a proper balance between the food subsector and the production of agricultural export commodities. Without an appropriate pricing policy for agricultural products, this objective will not be achieved. This will also require a reversal of the present trend of adopting policies that tend, especially in terms of price incentives, to create a bias against the food subsector and to favour the production of export commodities.

39. The realignment of consumption patterns with production patterns is another requirement which calls for change in consumption habits so that people will start to consume more of what is domestically produced especially in the areas of food, clothing and other essential consumer goods.

40. In conjunction with the above policy directives, the AAF-SAP calls for a number of policy instruments and measures to be applied. In an enumerative form, they are as follows:

(a) sectoral allocation of credit using credit guidelines that would favour the food subsector and the manufacture of essential goods;

(b) creation and strengthening of rural financial institutions;

(c) guaranteed minimum price for food crops managed through strategic food reserves;

(d) selective use of trade policy, including the banning of certain specified luxuries;

(e) mass education towards the consumption of domestic foods;

(f) strengthening intra-African monetary and financial cooperation as well as payments and clearing arrangements;

(g) differential export subsidies, removal of trade barriers, encouraging barter trade;

(h) bilateral and multilateral agreements on primary commodities;

(i) creation of rural institutions to support cottage and small industries with emphasis on indigenous technology, domestic finance, rural infrastructure and women participation;

(j) and last but not least, restructure production from cash crops and primary commodities to production of food and consumer goods.

(ii) Specific measures for intra-African trade expansion

41. Having earlier analysed the various obstacles to intra-African trade, it is worthwhile to pinpoint the measures which are specifically directed towards the removal of these obstacles. A number of such measures have already been examined as policy recommendations. The measures below would have the necessary reinforcing effects to the policy measures but would not by themselves make any substantial impact on intra-African trade. They are however vital for its expansion

42. The following is a summary of specific measures which have been analysed and submitted to member countries in several studies prepared by the ECA Secretariat since the beginning of the decade. Several of these have been endorsed by the Conference of African Ministers of Trade in 1985.

1. Financial measures

(a) The removal or reduction of tariff as well as non-tariff barriers including quotas, prohibitions, foreign exchange control, etc. through negotiations both within the framework of subregional economic groupings and outside such the framework in order to promote intra-subregional trade

(b) The provision of credit facilities for intra-African trade by establishing an Export Credit and Guarantee System (ECGS)

(c) The provision of tax and other financial incentives for exports to other African countries

(d) Easier access to investment and trade financing institutions and mechanisms for regional businessmen including insurance services

(e) Increasing use of existing payments and clearing systems

2. Legislative measures

(f) Improvement in trade licensing procedures

(g) Simplification and harmonizations of trade documentation and procedures

(h) Standardization of trade legislations, rules, regulations and tariff procedures

(i) Increased use [illegible] transborder trade

(j) [illegible]

(k) Improve rural income to open rural markets to manufactured goods

(l) Harness the resources and expertise of transnational corporations to promote intra African trade through appropriate legislations, incentives and controls.

3. Institutional measures

(m) The creation of trade promotion institutions and other support services including chambers of commerce

(n) Development of a trade information network in collaboration with other African countries.

(o) The establishment of joint production and marketing enterprises

(p) Institutional support for organising buyer/seller meetings, trade fairs and African trade missions

(q) Improve the quality and standard of African goods

(r) Provide adequate training for trade operators

4 Physical development

(s) The improvement of communication channels both domestically and externally

(t) The development of domestic trade marketing channels and infrastructure

(u) Increased processing of Africa's agricultural and mineral products

(v) Improvement of road, rail and other internal transport systems

(w) Promote African airlines, shipping and freight services.